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ABSTRACT

This document describes REAL Enterprises, an economic education consortium working to assist young people to research, plan, set up, own, and operate economically viable small businesses in Georgia, North Carolina, and South Carolina. The program was developed with the following goals: (1) to help rural schools become effective business incubators and community-development organizations; (2) to help participants develop economic literacy, entrepreneurship skills, and business management skills; (3) to help expand the local employment base by creating businesses that benefit the rural economy; and (4) to help rural students develop greater self-esteem and complete their schooling, and become productive citizens. The document describes the nature of school-enterprise programs by defining, in parallel columns, what they are and what they are not, and explains their value, benefits, and operation in a series of questions and answers. Once a school system is interested in starting a program enterprise, it must arrange agreements, provide the initial entrepreneurship courses, and work with the state REAL Enterprise program to come up with a business plan. Each participant in the program--the student, the teacher, the school, the board of education, and REAL Entrprises--has certain responsibilities under the program. The document briefly describes REAL Enterprise programs in Georgia, North Carolina, and South Carolina. (TES)

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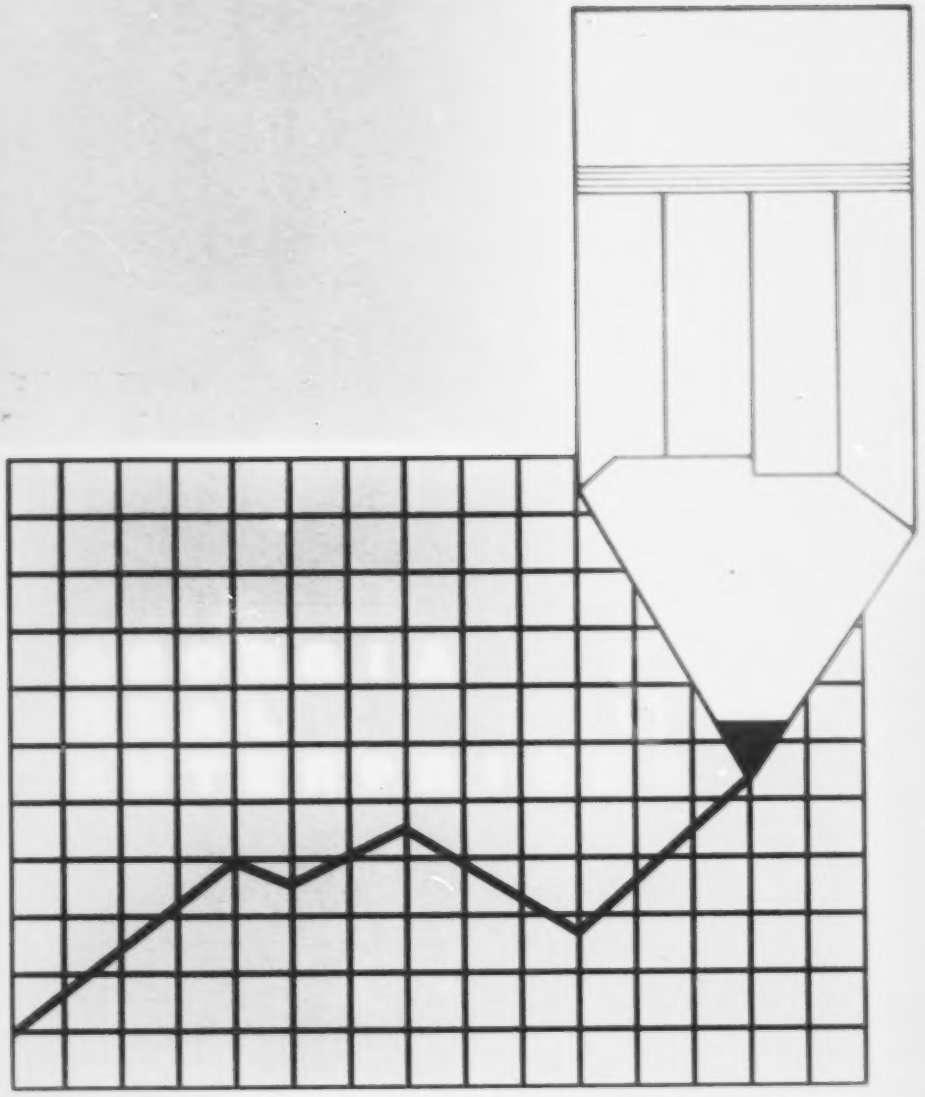

Dear

We appreciate your interest in **REAL Enterprises**. Rural Entrepreneurship through Action Learning is a program designed to assist young people to research, plan, set up, own, and operate an economically viable small business. This awareness package presents straightforward information concerning the goals, objectives, and effects of school-incubated enterprises.

We have attempted to ask and answer the questions you may have about **REAL Enterprises**. Also, information concerning the responsibilities of each partner in this program are outlined.

If you have further questions, please feel free to contact us. Again, thank you for your interest in this innovative, experiential program.

Sincerely,

Paul F. DeLargy
Director Outreach and Dissemination
REAL Enterprises

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Primary Goals of **REAL Enterprises**

1) **Institutional:** To help rural schools become effective small business incubators and community development organizations.

2) **Educational:** To help participants develop economic literacy, as well as skills in entrepreneurship and business management.

3) **Economic:** To help expand the local employment base by creating businesses that fill gaps in the rural economy.

4) **Individual:** To help rural students develop greater self-esteem, complete their schooling, and become productive citizens.

QUESTIONS AND ANSWERS

1. **How does the rural school-incubated enterprise program differ from existing vocational educational programs and activities?**

   Most vocational educational initiatives focus on producing good job applicants--that is, they train students to develop the skills they need to be a competent employee in someone else's business. By contrast, our program emphasizes the preparation of effective job creators--that is, we help students learn how to plan, set up, and operate their own real businesses.

   We are delighted that an increasing number of institutions are offering courses related to entrepreneurship and small business. However, most of these courses simply expose students to the idea of business ownership, while supplementing their classroom instruction with computer simulations and short-term "live projects." Our program is designed to assist rural students in taking the next logical step--that is, to experience the reality of entrepreneurship by establishing permanent businesses from which they can derive part-time, paid employment while still in school and full-time employment after graduation. They also can share in any profits made.

2. **Is the rural school-incubated program the same as Junior Achievement?**

   No. Although they share some common elements, our program is neither affiliated with, nor identical to, Junior Achievement. There are three major differences. First we work exclusively with rural schools. Second, our program is aimed at institutional change by helping rural schools enhance their curriculum, while becoming small business incubators. Third, and most important, we focus on economically viable, employment generating businesses that can be sustained locally and owned by graduates of the REAL Enterprise program.

3. What is the educational value of the rural school-incubated enterprise program?

There are a variety of educational benefits for participants. Students have access to new and improved courses on applied economics, entrepreneurship, and small business ownership/ management. Some students view these courses as giving them "a leg up" on their college studies (particularly if they intend to be business majors). Others see a more immediate value in them as preparation to competently run their own businesses. Where appropriate, students also receive technical training related to the specific ventures they hope to operate.

Equally important, planning, establishing, and running a real enterprise can be a profoundly educational experience. In fact, it requires the very same "higher order thinking skills" (in research, interpretation, decision-making, and communication) being encouraged by educational reformers nationwide. Done properly, this program should enhance the ability to be responsible, creative, and patient, while bringing forth whatever leadership potential they may possess. Not coincidentally, some participants are inspired to take their academic studies more seriously, and to work harder to stay and succeed in school.

4. What happens to the students and their businesses after graduation?

The basic idea is to have the businesses "graduate" with the students that founded them. In such cases, the participants would buy out their school's direct, non-instructional investment in the enterprise--such as equipment or inventory. This would enable the graduates to become independent business operators, while allowing the school's money to be reinvested in the next student-operated enterprise being developed.

Still many variations on this idea are possible. There are situations in which students going on to further education would pass the active operation of their venture along to remaining students, to family members, or to a hired staff. They also may choose to sell their business to someone else in the community. Occasionally, there even are circumstances in which it makes sense for the school to retain the ultimate ownership of a particular enterprise. At all times, however, the essential goals and objectives of this program must guide the decision-making about appropriate next steps.

5. **How can successful businesses be created and run by a group of inexperienced students and full-time teachers in economically-depressed rural areas?**

Not easily! Nevertheless, in working with our pilot sites, we have learned some important lessons about how to beat the odds here.

First, there must be an extensive period of careful thought and research--one school year is not too much--devoted to the selection of an appropriate venture and the preparation of a detailed formal business plan.

Second, the business selected should be exciting and comfortably challenging (i.e., neither too complex, nor too boring) to the participants. It also must be one that fills an economic gap, rather than competing with any existing local business.

Third, it is not smart to consider only businesses that must be started from scratch (generally the hardest type). Rather, equal attention should be accorded to franchises, buying an existing business, expanding a successful hobby or income-generating activity, or becoming partners in a joint venture (perhaps even a family business).

Fourth, all but the smallest micro-enterprises (i.e., one or two person operations) require an experienced manager--preferably hired full-time for at least a year--to ensure that the business runs smoothly from the outset, as well as to provide on-the-job technical and management training. However, even micro-enterprises require routine, serious, competent supervision and guidance.

Fifth, it is vital to have clear lines of authority and an appropriate decision-making structure--one that respects the rights of students to be much more than "cheap labor" without rushing them into responsibilities for which they have not yet been properly prepared.

Sixth, given the reality of sudden changes in the aspirations and availability of students, it makes sense to guard against disruptive departures by involving "too many" students in these ventures while they are being incubated.

Seventh, it is a good idea to have more than one teacher directly involved in both the classroom and advisory components of this program. Similarly, it is wise to secure as much involvement and assistance as possible from local business people and other relevant community members.

Eighth, and last, satisfactory ways must be found to resolve the tension between the desire to get a business up and running as quickly as possible (since neither students, nor administrators are known for their tolerance for delayed gratification) and the reality that starting prematurely can kill the business. There is no simple answer here--although establishing key steps along the path, and strongly rewarding the accomplishment of each key step, is one useful strategy to motivate participants to stay on the path.

It also is worth remembering that, for all their obvious disadvantages, rural school-incubated enterprises also have significant competitive advantages. For example, the energy and optimism of students are real assets, as is the inclusion of some of the rural community's best educated and intelligent members--the teachers. The in-kind contributions made by the school and the good will of the community translate into important competitive edges that rural school-incubated enterprises can, and should fully utilize.

6. Can any community start a rural school-incubated enterprises program?

Of course, but we strongly recommend that a solid foundation be laid before actually putting this program into action. There is such a demand for schools to respond more effectively to a host of educational and economic problems that promising new programs tend to be replicated too soon, implemented too hastily, and to cavalierly discarded. There are already signs of this unfortunate "bandwagon effect" occurring in relation to the school-incubated enterprise idea.

7. How much time does it take to have a successful program?

The answer to this question is impossible to determine. It does take after school time and commitment from the lead teacher. Generally, one might say that it requires at least as much as high school teachers currently put into making any extracurricular organization or activity successful.

School-Incubated Enterprise Programs Associated With REAL Enterprises:

ARE	ARE NOT
Creating long-term, viable enterprises	Simulations or "live projects"
Filling gaps in the local economy	Competing with existing local businesses
Tailored to local realities	Prepackaged or standardized
Helping schools become incubators	Turning schools into business operators
Integrated into the curriculum	Extra-curricular activities
Maintaining educational integrity	Offered "instead of" quality education
Open to all interested students	Pigeon-holed for only one type of student
Enabling students to earn wages and profits	Using students as cheap labor
Preparing people to become owners & job creators	Narrowly-training job applicants
Self-sufficient and self-perpetuating	Dependent upon long-term subsidies
Supported by appropriate technical assistance	Isolated and left to "sink or swim" alone
Guaranteed access to start-up capital	Left "high and dry" without risk capital

GOALS, OBJECTIVES, AND EFFECTS

PRIMARY GOALS of **REAL** Enterprises

A.	Institutional goals	to help rural schools become effective small business incubators.
B.	Educational goals	to help students and teachers develop understanding of, interest in, and competence around entrepreneurship and small business management/ ownership.
C.	Economic goals	to help create good new local jobs through identifying and utilizing untapped opportunities in the local market.
D.	Individual goals	to help foster a sense of empowerment to heighten the capacity to be successful productive community member.

KEY OBJECTIVES of **REAL** Enterprises

A. Institutional objectives

1. to strengthen school/community bonds
2. to develop meaningful public/private partnership
3. to serve as catalyst for rural community/economic development.

B. Educational objectives

1. to expand and improve the curriculum
2. to provide new options for rural students and teachers
3. to encourage acquisition and expansion of basic, technical, and higher order thinking skills.

C. Economic objectives

1. to improve, expand, and diversify local economic base

2. to encourage new investment

3. to stimulate positive attitudes toward local economy.

D. Individual objectives

1. to develop more positive attitude toward oneself, community, and rural economy

2. to increase employability both within and beyond local community

3. to generate income and work experience in ways that are compatible to being a good student.

REAL Enterprises EFFECTS COMMUNITY DEVELOPMENT of

A. Institutions by

1. generating new revenues for school (business and community)

2. attracting better teachers, board members, administrators.

B. Education by

1. reducing drop-out rate

2. encouraging sex, race equity

3. promoting academic motivation.

C. Economics by

1. improving quality of life

2. inspiring local adults in same direction

3. generating favorable publicity for community.

D. Individuals by

1. improving life chances for students

2. discouragement of anti-social behavior (destructive).

GETTING STARTED

Once a school system has learned of the **REAL** Enterprises program and indicated an interest in participating, there are several steps to be taken in order to learn enough information about the program to make a decision about actual involvement.

The national **REAL** Enterprises Federation or state member will provide information in the form of a briefing for school officials, including the principal, curriculum director, superintendent, and the teachers in whose area the program may be implemented. Following these briefings a presentation may be made to the school board for their official approval.

Typically, a six month to one year period is required for the school district to identify a teacher(s), establish the necessary background support both within the school and from the community prior to making a decision with **REAL** Enterprises to implement the program.

It is important that the school system and administration support the concept and that a letter of agreement or contract be signed between the school and **REAL** Enterprises as to the expectations for participation. Part of the expectation is that teachers attend a training institute.

During the first year of the **REAL** Enterprises program, the school provides a course on entrepreneurship in which students assess their community, consider ideas for business ventures, develop a feasibility study on those businesses, and write a business plan for one or more of the practical ideas.

In the second year of the program the students continue their academic studies in a small business management course while actually setting up and starting their business.

This second phase of the program requires the state **REAL** Enterprises organization to approve the feasibility of the business plan. Although this is not a guarantee of funding, **REAL** Enterprises guarantees access to its revolving loan fund for businesses participating in the program. **REAL** Enterprises will also work with the school to obtain at least a portion of the needed capital locally and arrange for technical assistance to the business.

It is also important that the school board and administration continue to support the program philosophically, financially, and administratively. In some cases, the school system may actually invest in the business, provide insurance coverage and other support which may be considered a part of the incubator role of the school. These particular agreements should be worked out on an individual basis between REAL Enterprises, the school, and the school board or governing body.

ORGANIZATIONAL RESPONSIBILITY FOR STARTING A PROGRAM

In general there are six organizations or groups of people who are involved in starting a **REAL** Enterprises' School-Incubated program in a school. They are the: **REAL** Enterprise State Member Organization, the Board of Education, High School, Teachers, Students, and the Community. Following is a listing of major responsibilities of each of these groups in establishing a **REAL** Enterprises program.

REAL Enterprises Responsibilities:

Assistance in setting up the program
- Awareness information
- Briefings with school administrators
- Student information

Schedule/Conduct teacher training sessions

Coordination of SBDC (technical) classroom visits and assistance

Personnel visits to classroom on frequent basis for consultation

Assistance with specific areas of curriculum

Assessment of business plans

Assistance in securing financing for feasible business ventures

Board of Education Responsibilities:

Commitment of Board of Education in a letter of agreement to support the program:
- Philosophy
- Finances
- Administration

Letter of agreement for teachers to participate in summer training and to teach the educational components of the program.

At business start-up--a letter of agreement between school system, business and **REAL** Enterprises on responsibilities and operational procedures of each party.

School Responsibilities:

Full support of concept: Incubator
Teaching course(s)
Scheduling students for class
Elective credit for course(s)

Administration signs letter of agreement to offer and support the program.

Provide financial support for teacher training.
Training will probably involve two weeks or time.

Present information/assembly to students regarding availability of course/program.

Register students for course

Provide text, workbooks, materials, library materials
--Supplemental text
--Purchase additional library materials

Provide teacher(s) time for preparation and teaching course

Provide interdepartmental support for students in program

Accept community involvement (mentors) on a professional level

In-kind support--other supplies, copying, teachers' time for training, administrative time, telephone, etc.

Assist in decision to initiate (or abandon) enterprise start-up

Agree to incubate the business and spin-off at appropriate time.

Cover liability insurance for created business venture under school policy until the business is legally incorporated

Secure a competent full-time manager for at least the first year of the business (for businesses employing 2 or more students)

Allow feasible scheduling of classes in order that students may operate business

Teacher(s) Responsibilities:

Interest, time, and willingness to get involved

Participate in a two-week summer training program

Teach the REAL Enterprises courses

Coordinate community survey

Assist students in writing and refining business plan

Coordinate outside speakers to support class activities

After-school time commitment as required

Cooperation of other teachers in assisting with:
- Business plan writing
- Accounting/business management
- Oral presentations

Ability to assist/supervise students during business start-up

Coordination with school-incubated business and manager to utilize actual business data to teach a business management course.

Students Responsibilities:

12 to 25 students for course

Interest in learning about business

Time to take course as elective

If interested in business--2nd course

Willing to devote extra time to research and write business plan

Contribute to capital cost (wages or cash investment)

Design management plan for business

Select key people for management

Actively involved in making decisions regarding the business

Actively involved in all stages of business start-up--meetings, agreements, contracts, etc.

REAL ENTERPRISES

REAL Enterprises is a consortium of Georgia, North Carolina, and South Carolina which is developing and implementing a unique approach to economic education and rural development through school-incubated businesses.

GEORGIA

Georgia **REAL** Enterprises has a history of successful economic education ventures to her credit.

In Brooks County, where school-incubated enterprises was pioneered, one of the businesses generated was a child-care center. This enterprise has succeeded economically throughout its ten-year history. It has provided a much-needed community service, provided a certified day-care worker training program and has had an entrepreneurial impact in that some graduates have established an additional child-care center in the county.

Other successful programs are found in Hart County where through Hartwell **REAL** Enterprises, the school-incubated businesses established are a tourist railway, a railroad dining car, and a small gift shop at the railway depot.

The Jefferson City School system is beginning a program in the fall of 1989 and will pursue the feasibility of a graphics oriented business.

Georgia has served as the research state for the **REAL** Enterprises program idea and has piloted different approaches with schools and communities. The latest addition is designing a technical school approach with Athens Area Technical Institute.

NORTH CAROLINA

Six businesses have been launched that have the potential to become long-term successes. Those include: The Way Off Broadway Delicatessen (at Exit 31 from Interstate 95 in St. Pauls); Currituck Screen Print (on Highway 168 in Moyock); Hurricane Screen Printing and Athletic Wear Company (at Northampton West High School in Gumberry); Silver Lake Boat Rentals (at the harbor on Ocracoke Island); The Royal Penguin Ice Cream Palace (in Burnsville), and; Brighten-Up-Your-Life (a tie-dye company started through Warren Wilson College in Swannanoa). One additional company, Black Swan Recyclers is in the planning stage

and is scheduled to open in the Asheville area within the next year. North Carolina **REAL** Enterprises is also experimenting with an adult version of the school-incubated enterprise program by working with three community colleges in Western North Carolina.

In addition, numerous students have had their first real exposure to the option of entrepreneurship--and many have changed their perceptions of themselves, their future, and their community as a result. Instead of seeing themselves as job applicants when they finish school, they now are aspiring to become job creators. Similarly, instead of viewing their rural communities as places to be escaped as quickly as possible, students are starting to regard them as places with real economic opportunities they can help to develop.

SOUTH CAROLINA

South Carolina **REAL** Enterprises, Incorporated established in December of 1988, provides the leadership and management for school-incubated enterprises statewide. Governor Carroll Campbell, Jr., through executive order, charged the State Development Board with the creation of this private non-profit organization. South Carolina **REAL** Enterprises is therefore, an education and economic development initiative for the state.

School-incubated enterprises, with a Fall 1988 start-up in two counties with four sites, boast a healthy expansion to eight counties with twelve sites. Such high growth is contributed to the active involvement of school administrators, teachers and students, community leaders, and state and local agencies, both public and private. Enterprises range from a highly specialized pet store to a plastics manufacturing company with a patent pending product.

Vickie Propst, credited with bringing this program to the state is President and Founder of South Carolina **REAL** Enterprises. Associates include, Barbara Nielsen, Associate Director of Education, formerly School Business Partnership Director, Beaufort County School District and an Associate Director of Business Development, a currently vacant position. Additional support is provided by Enterprise Development, Inc. associates Grace McKown and Ron Young, the Governor's Office and the State Development Board.

For additional information contact:

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